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USADB

TREASURY FOR BRADFIELD AND BEACH

E.O. 11652 ADS, DECLAS 7-1-75

TAGS: EAID, EFIN

SUBJECT: DRAWDOWN OF U.S. SPECIAL FUNDS CONTRIBUTION
(ASIAN DEVELOPMENT FUND)

SUMMARY: ADB TREASURY DEPARTMENT HAS SUBMITTED TO U.S. DIRECTOR REQUEST FOR FIRST DRAW-DOWN OF U.S.CONTRIBUTIONS TO ADF. REQUESTED AMOUNT OF \$2.9 MILLION CONSISTS OF (A) \$1.24 MILLION ALREADY DISBURSED FROM BANK'S SET-ASIDE RESOURCES AND (B) \$1.61. MILLION ESTIMATED DISBURSEMENTS TO BE MADE DURING PERIOD JANUARY -JUNE, 1975. USADB REQUESTS GUIDANCE REGARDING HANDLING OF PART (A) WHICH PRESENTS DISBURSEMENT S FOR CONTRACTS WHICH WERE APPROVED PRIOR TO JAN. 1, 1974 END SUMMARY

1. U.S. DIRECTOR'S OFFICE HAS RECEIVED SEVERAL MEMORANDA FROM ADB STAFF RE SUBJECT WITH LATEST DATED 4 MARCH 1975 FROM BANK'S DEPUTY TREASURER. PART I OF THIS MEMORANDUM OUTLINES BANK'S ESTABLISHED PRACTICES
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OF SUBMITTING HALF-YEARLY ESTIMATES OF DISBURSEMENTS

AND SIMULTANEOUS REQUESTING OF DRAWDOWN BY ENCASHMENT OF LETTERS OF CREDIT TO MEET SCHEDULED DISBURSEMENTS. MEMORANDUM NOTES THAT ANY EXCESS DRAWDOWN AFTER ACTUAL DISBURSEMENT DURING THE SIX-MONTH PERIOD IS CARRIED OVER TO ENSUING SIX MONTHS WITH NEXT DRAWDOWN REQUEST ADJUSTED TO COINCIDE WITH NEW ESTIMATES LESS THE CARRY-OVER. IN EVENT ACTUAL DISBURSEMENTS EXCEED THE ESTIMATE, BANK RESERVES RIGHT TO DEMAND ENCASHMENT OF ADDITIONAL LETTERS OF CREDIT TO MEET SHORFALL. THE BANK PROPOSES TO EMPLOY SAME PROCEDURE TO DRAW DOWN U.S. CONTRIBUTION.

2. PART II OF THE MEMORANDUM WITH DETAILED ANNEXES ENUMERATES 11 SPECIAL FUNDS LOANS WITH TOTAL VALUE OF CONTRACTS AWARDED TO U.S. SUPPLIERS AND CONSULTANTS IN AMOUNT OF US \$4,964,555.16 OF WHICH \$1,235,443.34 (PART A) HAS ALREADY BEEN DISBURSED FROM BANK'S SET-ASIDE RESOURCES. OF UNDISBURSED \$3,729,111.82 (OF TOTAL \$4,964,555.16) BANK ESTIMATES THERE WILL BE \$1,617,282.49 (PART B) DISBURSED DURING JAN.-JUNE 1975 ACCORDINGLY BANK IS REQUESTING IMMEDIATE DRAWDOWN FOR CURRENT SIX-MONTH PERIOD OF U.S. \$2,852,725.80 TO REPLENISH BANK'S SET -ASIDE SPECIAL FUNDS RESOURCES (PART A) AND TO PROVIDE FUNDS FOR ANTICIPATED DISBURSEMENTS (PART B).

3. ALL OF PART A DISBURSEMENTS REPRESENT PAYMENT FOR PROCUREMENT CONTRACTS WHICH WERE APPROVED PRIOR TO JAN. 1974. (SHORTLY AFTER CONGRESSIONAL APPROPRIATION OF FIRST US \$50,000,000 CONTRIBUTION IN DEC., 1973 TO BANK'S MULTI-PURPOSE SPECIAL FUNDS, ALL BORROWING COUNTRIES WERE REQUESTED BY BANK TO INCLUDE U.S. FIRMS AS ELIGIBLE PROCUREMENT SOURCE.) MOST OF THESE DISBURSEMENTS, MADE FROM 1970 ONWARDS, LONG BEFORE U.S. SUPPLIER ELIGIBILITY TO TENDER ON SPECIAL FUNDS PROJECTS, WERE FOR THE CONVENIENCE OF BORROWERS AND THE BANK TO FINANCE PROCUREMENT OF PROPRIETARY SPARE PARTS FOR EXISTING U.S. MADE EQUIPMENT AND FOR SIMILAR REASONS, WITH NO IMMEDIATE EXPECTATION BY THE BANK THAT THE SET-ASIDE ACCOUNT USED WOULD BE REPLENISHED FROM A U.S.-TIED CONTRIBUTION. IN REQUESTING U.S. GOVT APPROVAL LIMITED OFFICIAL USE

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TO REPLENISH SET-ASIDE RESOURCES BY DRAWING DOWN U.S. CONTRIBUTION, BANK IS SEEKING WAIVER OF PROOF OF COMPLIANCE IN NATIONAL CONTENT REQUIREMENT. WITH EXCEPTION OF \$517,000 DISBURSED TO U.S. CONSULTING FIRMS, BANK DOES NOT HAVE NATIONAL CONTENT CERTIFICATION FOR REMAINING \$718,000, ALTHOUGH U.S. ORIGIN CAN BE SATISFACTORILY DOCUMENTED. NATIONAL CONTENT CERTIFICATION WAS MADE A REQUIREMENT ONLY AFTER U.S. CONTRI-

BUTION BECAME EFFECTIVE IN APRIL 1974.

4. IN ESSENCE, BANK IS REQUESTING FOR RECOVERY OF
SET-ASIDE RESOURCES FROM U.S. CONTRIBUTION ON RETROACTIVE
BASIS BY WAIVING NATIONAL CONTENT REQUIREMENT.
BANK POINTS OUT THAT NEW ZEALAND AND ITALY AGREED TO
SIMILAR REQUESTS AFTER THEIR FIRST CONTRIBUTION TO
SPECIAL FUNDS BECAME EFFECTIVE. USADB QUESTIONS WHETHER
BANK'S REQUEST CAN BE ACCOMMODATED IN VIEW OF SPECIFIC
STIPULATION EMBODIED IN THE CONTRIBUTION AGREEMENT AND
SEEKS GUIDANCE.
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